

Activity Sheet 1: Conservative, Moderate or Speculative?

Directions: Decide if the following investments are conservative, moderate or speculative.

Investment 1: Jax Company provides gas and electric to your area. Its stock has risen slowly and steadily over the last two years. It pays an annual dividend of \$4 per share per year. You own 200 shares, so the company pays you a yearly dividend of \$800. What type of risk are you taking by investing in Jax Company? Explain

Investment 2: Watching the news, you learn a new drug is coming out that supposedly makes children smarter. You've never heard of the drug manufacturer, but you decide to invest in this company. Why wouldn't we want our children smarter? If you have no other information and plan to invest in this drug company, what kind of risk are you taking? Explain.

Investment 3: Interior Electric announces it is creating an all-electric car, but it hasn't come out yet. Based on the news, its stock price has increased 20% in one month. If you buy the stock now, what type of risk are you taking? Explain.

Investment 4: ALLON Clothing Company's profits have almost doubled this year. The price of the stock has gone up from \$48 to \$56 over the same period. If you were to invest in this stock, what degree of risk would this investment present? Explain.
